

Message Text

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12

ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 AID-05 L-03 EB-07 IGA-02

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1227

C O N F I D E N T I A L SANTIAGO 8655

FOR ASSISTANT SECRETARY SCHLAUDEMANN, ARA, FROM POPPER

EO 11652: GDS

TAGS: P.L. 480

SUBJECT: FY 1977 PL 480 TITLE I AGREEMENT

REFS: (A) STATE 212818 (B) SANTIAGO 8654

1. ON HIS RETURN TO SANTIAGO FOLLOWING A MEETING WITH YOU, OUR AID DIRECTOR JIM ROUSH TOLD ME YOU HAD SOME RESERVATIONS ABOUT GOING FORWARD WITH A PL 480 TITLE I PROGRAM FOR CHILE IN FY 1977 UP TO THE AMOUNT OF \$15 MILLION RECENTLY APPROVED BY CONGRESS. THIS SEEMS TO BE CONFIRMED BY INFORMATION IN STATE 212818. THAT TELEGRAM ALSO INDICATES THAT YOU WOULD PROPOSE TO HOLD FY 1978 ECONOMIC ASSISTANCE LEVELS TO CHILE AT THE FY 1977 CEILING (WITHOUT ANY PRESIDENTIAL DETERMINATION), WITH \$15 MILLION DEVOTED TO THE HOUSING INVESTMENT GUARANTY PROGRAM IN FY 1978 AND NO TITLE I PROGRAM.

2. AS MATTERS NOW STAND, I DO NOT FORESEE ANY SERIOUS PROBLEM WITH THE IDEA OF PHASING OUT PL 480 TITLE I ASSISTANCE AT THE END OF 1977. IF BECAUSE OF SOME NATURAL OR HUMAN DISASTER, THIS SHOULD CHANGE, WE COULD RE-EXAMINE THE SITUATION. BUT I WOULD BE QUITE CONCERNED IF THE USG DID NOT MAKE AVAILABLE TO CHILE THE FULL \$15 MILLION AUTHORIZED BY CONGRESS FOR PL 480 TITLE I ASSISTANCE IN FY 1977.

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3. THE GOC IS OF COURSE AWARE THAT CONGRESS SPECIFICALLY AUTHORIZED THIS TITLE I FIGURE FOR CHILE. CHILE WILL NEED TO IMPORT A GOOD DEAL OF WHEAT IN THE FIRST QUARTER OF FY 1977; FOR VARIOUS REASONS. WE EXPECT THAT CHILE'S BALANCE OF PAYMENTS WILL BE IN DEFICIT DURING 1977.

4. AS YOU KNOW, THE CHILEANS REACTED VERY BADLY TO THE CUT-OFF OF MILITARY ASSISTANCE AND THE VERY SHARP REDUCTION -- WELL OVER 50 PC -- IN AUTHORIZED ECONOMIC ASSISTANCE, PRESCRIBED BY THE SECURITY ASSISTANCE CT. THEY RECOGNIZE HOWEVER, THAT THESE RESTRICTIONS -- WHICH THEY CONSIDER PUNITIVE -- REFLECT PRIMARILY CONGRESSIONAL OPINION. THEY WILL PERFORCE LIVE WITHIN THESE LIMITATIONS. BUT IF THE EXECUTIVE BRANCH NOW SEEKS TO CUT AID TO CHILE STILL FURTHER, I THINK WE CAN EXPECT A FURTHER DETERIORATION IN OUR RELATIONS. IT IS HARD FOR ME TO SEE WHO WOULD BE THE GAINER.

5. ACCORDINGLY, I HOPE YOU WILL FIND IT POSSIBLE TO SUPPORT THE \$15 MILLION TITLE I PROGRAM WE ARE REQUESTING IN SANTIAGO 8654. IF FOR ANY REASON YOU CONSIDER THAT SOME REDUCTION IN THE AUTHORIZED FIGURE MUST BE MADE, WE SUGGEST THAT BASING THE PROGRAM ON A FIGURE OF 100,000 TONS WOULD AT CURRENT PRICES CUT DOWN THE OUTLAY TO ABOUT \$14.56 MILLION. I THINK IT WOULD BE REGRETTABLE IF WE WERE TO PRIVE ANYTHING LESS TO THE CHILEANS THIS YEAR.
POPPER

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